

Message Text

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TAGS: BEXP, ETRD, HU

SUBJECT: JOINT VENTURES IN HUNGARY

REF: STATE 119609

1. IN CALL ON DEPUTY PRIME MINISTER HUSZAR MORNING JUNE 7
PEPSI COLA PRESIDENT KENDALL SAID HIS COMPANY WAS INTERESTED
IN OPENING JOINT VENTURE WITH HUNGARY FOR PRODUCTION OF
"SNACKS." TOLD HUSZAR PEPSI COLA HAD WORLD'S LARGEST
POTATO RESEARCH FACILITIES AND MADE SNACKS FROM POTATOES,
WHEAT AND CORN. IF PRODUCTION OPENED IN HUNGARY PEPSI COLA
WOULD WANT 49 PERCENT OWNERSHIP AND RIGHT TO REPATRIATE PROFITS.
SAID HE KNEW HUNGARY HAD LAW PERMITTING JOINT VENTURES AND
ASKED WHETHER HUNGARY WAS SERIOUS ABOUT IT.

2. HUSZAR SAID HUNGARY WAS SERIOUS AND THAT WHEN FOREIGN
FIRMS COOPERATED WITH THEM THEY HAD TO HAVE RIGHT TO
REPATRIATE EARNINGS AND THAT HUNGARIAN LAW ALLOWED IT.
HE SAID THAT HUNGARY USUALLY THOUGHT IN TERMS OF JOINT
COOPERATION OR OTHER MEANS SHORT OF EQUITY INVESTMENT
BUT THAT LAW ALLOWED LATTER ALSO. HE SUGGESTED KENDALL
SUBMIT PROPOSAL THEY COULD STUDY.

3. IN ANSWER TO KENDALL'S INQUIRY ABOUT WHOM HE SHOULD
PURSUE MATTER WITH, HUSZAR SUGGESTED COMPANIES SUBORDINATE
TO MINISTRIES OF AGRICULTURE AND FOREIGN TRADE. KENDALL
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SAID HE THOUGHT BASIC PRINCIPLES NEEDED TO BE SETTLED

FIRST AT MINISTERIAL LEVEL AND HUSZAR SUGGESTED HE PURSUE MATTER FURTHER WITH FOREIGN TRADE MINISTER BIRO. KENDALL MADE CLEAR HE WAS ONLY INTERESTED IN EQUITY INVESTMENT AND NOT IN OTHER FORMS OF COOPERATION.

4. I SAID I UNDERSTOOD FIRST JOINT VENTURE AGREEMENT SIGNED OR ABOUT TO BE SIGNED WITH SIEMENS. IF SO, THIS SEEMED TO OPEN WAY IN PRINCIPLE TOWARD OTHER JOINT VENTURES. HUSZAR SAID SIEMENS AGREEMENT HAD ALREADY BEEN SIGNED, AND CONCURRED IT HELPED OPEN THE DOOR TO OTHERS. HE DID NOT MENTION POSSIBILITY OF VOLVO-IKARUS COMPANY.

5. OBVIOUSLY SIEMENS MOVE DOWNS INCREASE CHANCES FOR CORNING AND BOWMAR AND FOR OTHERS WHO ARE DISCUSSING POSSIBLE JOINT VENTURES. HOWEVER, SPECIFICS WILL BE IMPORTANT TO HUNGARIANS IN EACH CASE, AND IT IS TOO EARLY TO JUDGE WHETHER APPROVAL OF ANY JOINT VENTURES WITH U.S. FIRMS IS LIKELY PRIOR TO EXTENSION OF MFN.

6. KENDALL SUBSEQUENTLY SPOKE TO FOREIGN TRADE BANK HEAD WHO EXPRESSED CONSIDERABLE INTEREST IN SUCH JOINT VENTURE BECAUSE OF AID IT COULD GIVE GOH POTATO INDUSTRY.

7. ALSO PURSUED MATTER WITH FOREIGN TRADE MINISTER BIRO WHO EXPOUNDED ON ALL THE DIFFICULTIES THAT GOH'S PRICE SUBSIDY AND ACCOUNTING POLICIES WOULD MAKE FOR A JOINT VENTURE. WHEN KENDALL SAID THESE DIFFICULTIES WOULD HAVE TO BE SOLVED SOMETIME, AND SUGGESTED IT START NOW, HOWEVER, BIRO AGREED TO HAVE PEPSI COLA AND HUNGARIAN COMPANIES PREPARE PROPOSAL FOR JOINT VENTURE OR COOPERATION. ADDED THAT LAW ALLOWED THEM AND AGREED TO CONSIDER PROPOSAL.
PEDERSEN

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